

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Alden Lee Company, Inc. KSADATA, INC.
Alden Lee Venture Partners, LLC KSADATA II, INC.
1735-39B East Bayshore Road KSADATA III, INC.
Redwood City, CA 94063 KSADATA IV, INC.
or
1215 Chrysler Drive and P.O. Box 7627
Menlo Park, CA 94025

Richard Joseph Lee Louis F. Petrossi
224 El Camino Road 14688 Stoneridge Drive
Scotts Valley, CA 95066 Saratoga, CA 95070
or
985 Windsor Drive and P.O. Box 3099
Menlo Park, CA 94025

DESIST AND REFRAIN ORDER
(For violations of sections 25110 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. Alden Lee Company, Inc. ("ALC"), a California corporation, with its principal offices located at 1735-39B East Bayshore Road, Redwood City, California, represents itself to be a manufacturer and marketer of a specialty line of quality, hardwood music furniture. Previously ALC had offices at 1215 Chrysler Drive, Menlo Park, California and uses as a mailing address P.O. Box 7627, Menlo Park, California.
2. Alden Lee Venture Partners, LLC, is a limited liability company with offices at 1735-39B East Bayshore Road, Redwood City, California.
3. Richard Joseph Lee ("R. Lee") serves as ALC's President. R. Lee and his wife,

1 Anne B. Lee, are the Managers and Members of Alden Lee Venture Partners, LLC. R. Lee and
2 Anne B. Lee reside in the State of California at 224 El Camino Road, Scotts Valley, California
3 and they also use the mailing address of P.O. Box 3099, Menlo Park, California 94026.

4 4. Louis F. Petrossi ("Petrossi") is an individual, who during relevant times, acted
5 as ALC's sales agent. Petrossi resides at 14688 Stoneridge Drive, Saratoga, California.

6 5. Initially in 1994 and continuing thereafter, ALC, R. Lee, Petrossi and others
7 acting in concert or participation with them, offered or sold securities in the form of shares of
8 common or preferred stock for \$2.50 per share to California residents and overseas investors.
9 These offerings were purportedly made "[u]nder an exemption from federal securities regulation
10 and a permit from the State of California." In the Executive Summary provided to investors in
11 2001, ALC and R. Lee stated that they had raised capital of \$3.1 million from over 650
12 shareholders in 1994 and 1995, and raised an additional \$1 million in a private placement
13 increasing the total funds raised to \$4 million.

14 6. To raise capital from investors ALC, R. Lee and Petrossi used advertising to
15 solicit investors via a toll free number (800) 324-5200 and on a website, www.aldenlee.com.

16 7. ALC, R. Lee, Petrossi and others acting in concert and participation with
17 them offered and sold the above-described shares of common and preferred stock in a manner
18 that failed to conform with the requirements set forth in the permit issued by the Department of
19 Corporations on February 4, 1998, and the legal requirements of the Corporate Securities Law.

20 8. Specifically, ALC, R. Lee, and Petrossi used advertising that was never filed with
21 or approved by the Department of Corporations as required pursuant to Corporations Code
22 section 25300. More significantly, the advertising used by ALC, R. Lee, and Petrossi made
23 misleading statements in the offer of ALC's shares concerning the probable business and
24 financial success of ALC; the projected increase in the value of ALC's shares; and the implied
25 endorsement of Schwab & Co.

26 9. In 2000 ALC and R. Lee sued Deloitte & Touche LLP in San Francisco Superior
27 Court. To finance this civil litigation it appears that R. Lee formed several other companies,
28 these include, KSADATA, INC., KSADATA II, INC., KSADATA III, INC. and KSADATA IV,

1 INC. However, it does not appear that the investors in these entities were informed that their
2 funds would be used for this purpose.

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4 10. The offering of securities by R. Lee in the form of investment contracts of
5 KSADATA, INC., KSADATA II, INC., KSADATA III, INC. and KSADATA IV, INC. have not
6 been qualified by the Department of Corporations pursuant to Corporations Code section 25110
7 and are not exempt under the law.

8 11. In 2003 R. Lee also formed Alden Lee Venture Partners, LLC, which R. Lee
9 describes as a “venture capital” business. It appears that R. Lee used Alden Lee Venture
10 Partners, LLC to raise venture capital from investors and offered or sold membership interests in
11 it. Alden Lee Venture Partners, LLC, has not qualified the offer or sale of these securities with
12 the Department of Corporations pursuant to Corporations Code section 25110 and it appears that
13 the securities are not exempt under the law.

14 12. In 2004 and continuing thereafter, ALC and R. Lee offered or sold securities to the
15 general public, in the form of units pursuant to a “Royalty Rights Purchase Agreement.” Such
16 units are securities in the form of certificates of interest or participation in a profit-sharing
17 agreement and investment contracts as defined in the securities law.

18 13. The securities offered by ALC and R. Lee in the form of units of “Royalty
19 Rights” have not been qualified by the Department of Corporations pursuant to Corporations
20 Code section 25110 and are not exempt under the law.

21 14. ALC and R. Lee solicited potential investors for their Royalty Rights
22 Purchase Agreement by means of direct mailing and invited them to telephone their questions
23 about the offering via ALC’s toll free number (800) 324-5200.

24 15. The information provided by ALC and R. Lee in connection with the offer of the
25 “Royalty Rights Purchase Agreement” is misleading. ALC falsely represented that:

26 [T]here is no ‘cap’ on what you can earn. In fact, based on our projected
27 sales growth, it is possible for you to earn royalties equal to several times
28 your initial purchase amount of Royalty Right – in just one year!

1 Additionally, ALC and R. Lee represent that “[t]he worst case scenario is that you will make at
2 least a 100% (sic) after 3 years, or a 33% annualized return!” ALC and R. Lee represent that “a
3 major international company has told us they want to begin distributing Alden Lee products (sic)
4 their retail stores worldwide” and that ALC needs to raise money in order to increase its
5 manufacturing capacity to keep up with their demand.
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7 16. The offer and sale of units of Royalty Rights of ALC omitted material facts such
8 as the name of the “major international company” and information on whether ALC has a
9 contract with that or any other company. ALC provides members of the general public a copy
10 of its “Royalty Rights Purchase Agreement” but omits a prospectus or offering memorandum.
11 ALC and R. Lee also omitted disclosing the fact that ALC and R. Lee failed to meet their
12 contractual and financial obligations and as a result had civil complaints filed against them.
13 Civil complaints filed against ALC and R. Lee include, but are not limited to, Conde Nast
14 Publications; Accurate Mailings, Inc.; Pro Staff; Network of City Business Journals; Craftsman
15 Press West; Bryant, Clohan, Eller Maines & Baruh, LLP; and Individual Investor Group Inc., A
16 Corp.; and Westpak Inc.

17 17. The units in the Royalty Rights of ALC were offered or sold in this State in issuer
18 transactions. The Department of Corporations has not issued a permit or other form of
19 qualification, authorizing any person to offer and sell these securities in this State. ALC and R.
20 Lee have not met the requirements for an exemption from Corporations Code section 25110.
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22 Based upon the foregoing findings, the California Corporations Commissioner is
23 of the opinion that the shares of stock, certificates of interest or participation in a profit-sharing
24 agreement, investment contracts and membership interests of Alden Lee Company, Inc.,
25 KSADATA, INC., KSADATA II, INC., KSADATA III, INC., KSADATA IV, INC. and Alden
26 Lee Venture Partners, LLC, are securities subject to qualification under the California Corporate
27 Securities Law of 1968, and are being or have been offered or sold without being qualified and
28 without being exempted.

1 The Commissioner is also of the opinion that Alden Lee Company, Inc., KSADATA,
2 INC., KSADATA II, INC., KSADATA III, INC. and KSADATA IV, INC., Alden Lee Venture
3 Partners, LLC, Richard J. Lee and Louis F. Petrossi offered or sold securities in this State by
4 means of written or oral communications, which included an untrue statement of a material fact
5 or omitted to state a material fact necessary in order to make the statements made, in the light of
6 the circumstances under which they were made, not misleading, and thereby violated
7 Corporations Code section 25401.

8 Pursuant to section 25532 of the Corporate Securities Law of 1968, Alden Lee Company,
9 Inc., KSADATA, INC., KSADATA II, INC., KSADATA III, INC. and KSADATA IV, INC.,
10 Alden Lee Venture Partners, LLC, Richard J. Lee and Louis F. Petrossi are hereby ordered to
11 desist and refrain from the further offer or sale in the State of California of securities in the form
12 of stock, certificates of interest or participation in a profit-sharing agreement, investment
13 contracts and membership interests, unless and until qualification has been made under said law
14 or unless exempt. The sale of such securities is subject to qualification under said law and such
15 securities are being or have been offered for sale without first being so qualified.

16 Pursuant to section 25532 of the Corporations Code, Alden Lee Company, Inc.,
17 KSADATA, INC., KSADATA II, INC., KSADATA III, INC. and KSADATA IV, INC., Alden
18 Lee Venture Partners, LLC, Richard J. Lee and Louis F. Petrossi are also ordered to desist and
19 refrain from offering or selling or buying or offering to buy any security in the State of
20 California by means of any written or oral communication, which includes an untrue statement
21 of material facts or omits to state material facts necessary in order to make the statements made,
22 in the light of the circumstances under which they were made, not misleading.

23 This Order is necessary, in the public interest, for the protection of investors and
24 consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

25 Dated: April 15, 2005
26 Los Angeles, California

27 WAYNE STRUMPFER
28 Acting California Corporations Commissioner

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By _____
ALAN S. WEINGER
Acting Deputy Commissioner
Enforcement Division